

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (10/14)
BUTTER: Grade AA closed at \$1.6475. The weekly average for Grade AA is \$1.6375 (-.0017).

CHEESE: Barrels closed at \$1.3800 and blocks at \$1.4575. The weekly average for barrels is \$1.3745 (-.0335) and blocks, \$1.4295 (-.0280).

BUTTER: The cash butter price continues to fluctuate higher and lower within a narrow range. Many butter producers are surprised at the cash price for this time of the season. In light of the current lower than anticipated price, most continue to feel that the price will not spike during the next 4-6 weeks as holiday orders are placed and shipped. Churning activities across the country vary depending on cream availability, but remain quite active for this time of the season. Class II demand is starting to build as cream based holiday item production increases. Butter demand is fair. Producers and handlers state that Thanksgiving orders have been good and year end orders continue to be placed. Inventories of butter are heavier than last year at this time and most handlers do not foresee shortages for upcoming holiday needs.

CHEESE: The cheese market is irregular. The daily block price at the Chicago Mercantile Exchange rebounded at midweek after hitting \$1.4175, down from the recent peak of \$1.5975 about a month ago. Barrels remain weak. Many buyers have been waiting for prices (particularly weekly averages) to hit bottom before reordering. The concern for plant operators, if enough customers place orders at once, what orders do you take and/or fill due to milk supply and/or plant capacity limits. Despite the season, producers try to avoid producing many of the shorter shelf life varieties without an order in hand. In recent weeks, some plants have been trying to reduce inventory by reducing cheese production. Barrel and process demand is steady at best. Plant cheese inventories have been accumulating at some locations. Overall cheese production is relatively steady. Cheese yields continue to improve seasonally.

FLUID MILK: Milk production across the country is generally steady with slight increases and decreases reported in some areas. Fluid milk supplies are adequate to fully adequate for overall needs. However, regional tightness is noted in the Southeast and milk shipments into that region are heavy. The demand for milk is good, but the availability of tankers and truckers to haul the milk is often reported as tight. Increased demand for tankers from the juice (orange, apple, and grape) industry is cited as the major reason tankers and truckers are hard to find. Surplus milk supplies are steady to lighter and manufacturing plant schedules are moderate. The fluid cream market is mixed. Some contacts report a closely balanced supply demand relationship while others, particularly in the western half of the country, are seeing additional volumes and more cream is moving to Class IV use. Cream use in dips, sour cream, and cream cheese is increasing along seasonal patterns.

DRY PRODUCTS: The NDM market is steady to firmer with prices increasing. Most direct-from-the-producer transactions are based on the NASS price series, which has been increasing steadily for quite some time.

Demand for NDM is fair to good. Some resale powder is being traded at competitive prices. Stocks are more than ample to cover current needs. Export interest is also fair to good and clearing a good amount of powder. Escalating fuel and transportation costs are impacting all markets. There have been reports of cross country delivery charges being 2-3 times what they were in June and July. The dry whey market is mostly steady with prices both higher and lower depending on region. Producer inventories range from tight in the East to somewhat longer in the West. Demand is fair to good for both the domestic and export markets. The WPC market is steady to weak. Stocks of both 34% and 80% WPC are readily available and demand is light. The lactose market is firm and prices are unchanged. Some fourth quarter contracts are being finalized, but most were completed prior to October 1.

CCC: During the week of October 10 - 14, there was no dairy price support activity.

OCTOBER MILK SUPPLY AND DEMAND ESTIMATES (USDA, WAOB): Milk production in 2005 and 2006 is forecast higher than last month. Output per cow is raised for 2005 and 2006, and the milk cow herd is forecast to grow slightly more rapidly in 2006. As a result, the milk production forecast is increased 400 million pounds for 2005 and 1 billion pounds in 2006. The increase for 2006 represents a 6.1% increase from 2004 output. Fat-basis commercial demand remains relatively strong and is expected to absorb increased supplies of milk, providing support for increased forecasts of both butter and cheese prices in 2005 and forecast cheese prices in 2006. This projection represents a 5.0% increase in use. Commercial use of skim solids is also increased, reflecting firm domestic demand and continued strength in exports. The nonfat dry milk (NDM) price forecast is raised for both 2005 and 2006. The whey price forecast is also raised on strength in exports and strong NDM prices. Higher product price forecasts raise Class price forecasts for both 2005 and 2006. The all milk price for 2005 is forecast higher at \$15.20-\$15.30 and the 2006 forecast is raised to \$13.35-\$14.25.

JULY MAILBOX MILK (DAIRY PROGRAMS): In July 2005, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$14.62, \$.49 more than the figure for the previous month. The component tests of producer milk in July 2005 were: butterfat, 3.52%; protein, 2.91%; and other solids, 5.72%. On an individual reporting area basis, mailbox prices increased in all Federal milk order reporting areas, and ranged from \$17.62 in Florida to \$12.95 in New Mexico. In July 2004, the Federal milk order all-area average mailbox price was \$16.32, \$1.70 higher.

AUGUST FLUID MILK SALES (DAIRY PROGRAMS & CDIB): During August, about 4.6 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 2.7% higher than August 2004. After adjusting for calendar composition, sales in August 2005 were 0.6 percent higher than August 2004. On an individual product basis, after adjusting for calendar composition, sales of reduced fat (2%) milk, low fat (1%) milk, and fat-free (skim) milk increased from August 2004, while sales of whole milk, flavored whole milk, flavored fat-reduced milk, and buttermilk decreased from a year earlier.

****SPECIALS THIS ISSUE****

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**CHICAGO MERCANTILE EXCHANGE
 CASH TRADING**

PRODUCT	MONDAY OCTOBER 10	TUESDAY OCTOBER 11	WEDNESDAY OCTOBER 12	THURSDAY OCTOBER 13	FRIDAY OCTOBER 14	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.3825 (-.0100)	\$1.3750 (-.0075)	\$1.3675 (-.0075)	\$1.3675 (N.C.)	\$1.3800 (+.0125)	(-.0125)	\$1.3745 (-.0335)
40# BLOCKS	\$1.4175 (-.0100)	\$1.4175 (N.C.)	\$1.4250 (+.0075)	\$1.4300 (+.0050)	\$1.4575 (+.0275)	(+.0300)	\$1.4295 (-.0280)
BUTTER GRADE AA	\$1.6400 (N.C.)	-----	\$1.6250 (-.0150)	-----	\$1.6475 (+.0225)	(+.0075)	\$1.6375 (-.0017)

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM NOTE: CME NDM on Page 2.

CHICAGO MERCANTILE EXCHANGE

MONDAY, OCTOBER 10, 2005

CHEESE — SALES: 2 CARS 40# BLOCKS @ \$1.4175; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.3825

BUTTER — SALES: 4 CARS GRADE AA: 1 @ \$1.6400, 1 @ \$1.6350, 1 @ \$1.6375, 1 @ \$1.6400; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 6 CARS GRADE AA: 1 @ \$1.6500, 1 @ \$1.6525, 1 @ \$1.6550, 1 @ \$1.6575, 2 @ \$1.6600

TUESDAY, OCTOBER 11, 2005

CHEESE — SALES: 10 CARS 40# BLOCKS @ \$1.4175; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.4100; OFFERS UNCOVERED: 2 CARS BARRELS: 1 @ \$1.3750, 1 @ \$1.3825

WEDNESDAY, OCTOBER 12, 2005

CHEESE — SALES: 1 CAR BARRELS @ \$1.3675; BIDS UNFILLED: 3 CARS 40# BLOCKS: 1 @ \$1.4250, 2 @ \$1.4175; OFFERS UNCOVERED: NONE

BUTTER — SALES: 5 CARS GRADE AA: 2 @ \$1.6200, 1 @ \$1.6225, 2 @ \$1.6250; BIDS UNFILLED: 6 CARS GRADE AA: 2 @ \$1.6100, 2 @ \$1.6000, 2 @ \$1.5900; OFFERS UNCOVERED: 7 CARS GRADE AA: 1 @ \$1.6275, 1 @ \$1.6300, 2 @ \$1.6325, 1 @ \$1.6350, 2 @ \$1.6400

THURSDAY, OCTOBER 13, 2005

CHEESE — SALES: 19 CARS 40# BLOCKS @ \$1.4300; BIDS UNFILLED: 2 CARS 40# BLOCKS @ \$1.4250; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.3675

FRIDAY, OCTOBER 14, 2005

CHEESE — SALES: 2 CARS BARRELS @ \$1.3800; BIDS UNFILLED: 8 CARS 40# BLOCKS: 3 @ \$1.4575, 1 @ \$1.4550, 2 @ \$1.4325, 2 @ \$1.4300; OFFERS UNCOVERED: NONE

BUTTER — SALES: 15 CARS GRADE AA: 1 @ \$1.6300, 4 @ \$1.6400, 3 @ \$1.6500, 1 @ \$1.6425, 1 @ \$1.6400, 1 @ \$1.6425, 1 @ \$1.6450, 3 @ \$1.6475; BIDS UNFILLED: 6 CARS GRADE AA: 2 @ \$1.6400, 2 @ \$1.6350, 2 @ \$1.6000; OFFERS UNCOVERED: 3 CARS GRADE AA: 1 @ \$1.6525, 2 @ \$1.6600

CME CASH NONFAT DRY MILK: Extra Grade closed the week at \$0.9625 and Grade A at \$0.9825. (The last price change occurred March 30.) The weekly average for Extra Grade is \$0.9625 (N.C.) and Grade A is \$0.9825 (N.C.).

BUTTER MARKETS**NORTHEAST:**

The butter market is a little weaker as the CME, cash price slipped to \$1.6300 last Wednesday (10/5) before rebounding to \$1.64 for the past two sessions. Churning activity in the Northeast is up slightly as more excess cream is available in the region. Class II cream demand is slowing seasonally. Suppliers have more than ample supplies to cover needs. Butter demand is just fair, but some producers are packaging to fill retail orders. Most chain store buyers have already placed the bulk of their orders for Thanksgiving needs and are now working on expected needs/inventories for the year-end holiday period. Butter stocks are fully adequate. Current retail sales remain just fair. Food service orders are unchanged, but there is growing sentiment that the high gas prices will have or is having an impact on dining out. Sales of bulk butter f.o.b. East, are reported in a range from flat market to 3.0 cents over the CME price/average.

CENTRAL

The cash market at the CME continues to fluctuate and the current price of \$1.6250 at mid week is the lowest since late July. Many butter producers are surprised at the cash butter price for this time of the season. In light of the current lower than anticipated price, most continue to feel that the price will not spike during the next 4 – 6 weeks as holiday orders are placed and shipped. Churning activity remains fairly strong, depending on cream availability. Cream supplies have been available up to this time, but early in

the week, surplus volumes appear to have tightened. Stocks of butter continue to surpass year ago levels. Traders and handlers feel that inventories, coupled with near term production, should be sufficient to meet year end holiday needs. Short term demand is seasonally fair with holiday orders continuing to be placed. Bulk butter for spot sale is being reported in the flat – 2 cents per pound over various pricing basis.

WEST

Cash butter prices at the CME did not react very much to the major decline noted on block cheese last week. Some contacts thought there may be some kind of a sympathetic reaction. Prices did fall a bit more this week to close at \$1.6250 on October 12. Prices have not been this low since the first of August. Sellers are calling current butter interest as fair at best. Prices seem to be high enough that there may not be a lot of feature activity this fall. Stocks at most levels of the market seem to be adequate. No one is expecting that supplies will be tight for the holiday season. Cream supplies are available for churning at heavy levels. Other cream users seem to be between seasons so that demand is not aggressive. Cream multiples are declining along with the basing point. CME weekly butter stocks declined by 4.1 million pounds last week to stand at 62.5 million pounds. The comparable figure for last year is 56.7 million pounds. In the last ten weeks this year stocks have declined by 31.5 million pounds compared to 52.1 million pounds last year for the same period. Bulk butter prices range from 1 cent under to 4 cents under based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES**U.S. AVERAGES AND TOTAL POUNDS**

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 38% MOISTURE			
OCTOBER 8	1.5726	1.4857	0.9686	1.6456	0.3040
	8,968,857	9,412,009	11,463,938	2,223,641	10,025,879

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices are sharply lower on natural items; moderately lower on process, and unchanged on Swiss. The market tone is weak. Cheese output in the Northeast is mostly steady as surplus milk volumes have not changed significantly in several weeks. However, significant rainfall along the East Coast and much of New England has had a negative impact on the milk flow. Cheese demand is starting to show some seasonal improvement as holiday orders are placed by most retail chains. Food service orders are mostly steady.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.5400-2.0600
Cheddar Single Daisies	:	1.4975-1.9725
Cheddar 40# Block	:	1.5975-1.8700
Process 5# Loaf	:	1.6175-1.8550
Process 5# Sliced	:	1.6375-1.8625
Muenster	:	1.6125-1.8125
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market is unsettled on natural to weak on barrels. Cash block prices have nearly reached the C.W.T. program floor target price of \$1.40 though barrels continue to exhibit weakness. Until prices stabilize and/or rebound, some buyers are content to limit purchases or use up inventory. Overall orders are generally fair at best with natural activity stronger than process. A few other buyers are taking advantage of current prices to rebuild depleted stocks or do promotions. The concern for many long time observers is that current cheese production is not large enough to cover orders if a lot of buyers order heavily around the same time. Mozzarella interest is irregular but generally clearing most current offerings. A few mozzarella plants have reduced schedules to help balance supplies with demand. Some holiday specialty products are being shipped/prepared in preparation for later in the year. Current cheese production is about steady. A few additional plant operators are trying to sell milk rather than make cheese at current milk and cheese prices.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.6575-1.9700
Brick And/Or Muenster 5#	:	1.9700-2.0050
Cheddar 40# Block	:	1.8075-2.2650
Monterey Jack 10#	:	2.0000-2.2650
Blue 5#	:	2.3025-2.6700
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.6350-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.4300-2.8900

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	:	CHEESE
		:	
10/10/05	34,291	:	135,204
10/01/05	37,238	:	137,515
CHANGE	-2,947	:	-2,311
% CHANGE	-8	:	-2

WEST

Process cheese prices are lower and natural prices are sharply lower following trading last week at the cash CME market. This is about the same time that prices moved sharply lower last year as well. This week, block prices recovered a bit to close at \$1.4250. This is the first increase noted in the market since mid-September. In the interim, prices have held steady or moved lower. Buyers, for the most part, continue to sit on the sidelines as they wait for a bottom to be put in the market. Some are stating that they don't see the potential exports of cheese by the CWT program as having much impact on the market. Most firms in the West are reporting that they have plenty of milk to make the cheese they need for fall sales. Tests on current milk receipts are improving which is making the yield picture look much better. Plants are thankful for that because of the problems they are facing on the energy side. Stocks of cheese at the producer level are growing since buyers have pulled back; waiting for some stability before returning to the market.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.5575-1.8150
Cheddar 40# Block	:	1.5775-1.8775
Cheddar 10# Cuts	:	1.7575-1.9775
Monterey Jack 10#	:	1.7675-1.9275
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.7000

FOREIGN

Domestic prices are sharply lower as most follow the 40# block price at the CME. The market tone is starting to show more seasonal improvement, but overall sales still tend to lag expectations. Retail pricing is likely the predominate reason. Supplies are adequate to meet current needs.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
	:	:
Roquefort	TFEWR	-0-
Blue	2.6400-4.6300	1.8525-3.3425*
Gorgonzola	3.6900-6.0900	2.3650-2.4900*
Parmesan (Italy)	TFEWR	3.2675-3.3725*
Romano (Italy)	2.1000-3.1900	-0-
Provolone (Italy)	3.4400-6.0900	1.8550-2.0900*
Romano (Cows Milk)	-0-	3.0500-5.1925*
Sardo Romano (Argentina)	2.8500-3.2900	-0-
Reggianito (Argentina)	2.6900-3.2900	-0-
Jarlsberg-(Brand)	3.1200-4.1500	-0-
Swiss Cuts Switzerland	-0-	2.4500-2.6500
Swiss Cuts Finnish	2.5900-2.8500	-0-
Swiss Cuts Austrian	TFEWR	-0-
Edam	:	:
2 Pound	TFEWR	-0-
4 Pound	2.1900-3.5600	-0-
Gouda, Large	TFEWR	-0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	27.8000-31.7000	-0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	235	0	194	0	253	0
SOUTHEAST STATES	91	0	76	0	12	0

Milk production is generally steady throughout the region. Some small increases were noted in scattered areas of the Southeast and some small decreases were still noted in the northern-most areas. However, this week's heavy rains may cause some disruptions to production and transportation in parts of New York and New England. Few contacts commented on the rains, but some of the driest areas welcomed the precipitation. Fluid milk supplies ranged from ample to light. The Southeast would like to import more milk, but trucking is the deterring factor. Contacts report that milk shipments would be higher if trucks were available. Increased demand for tankers from the juice (orange, apple, and grape) industry is cited as the major reason trucks and truckers are hard to find. Florida contacts have scheduled desired loads/volumes to be shipped into the state, but feel that the trucks will not be available to meet all their needs. Farther north, trucking is also an issue, but maybe not to the extent seen in the Southeast. Bottled milk sales are mostly steady, but some scattered areas of improvement are noted. Surplus milk volumes range from tight to adequate. Manufacturing plants in the Southeast are often limited to weekend milk, while plants in the Northeast are operating on moderate schedules. The condensed skim market is little changed. Prices have adjusted to their respective October skim milk prices. Class II prices are steady to occasionally higher, but most buyers are resisting any price increases. Class III prices are often lower, but still above NDM prices. Condensed skim offerings are ample for the slower, but still fairly good demand. Reports indicate that ice cream users are slowing output, which lessens the need for condensed skim, which pushes more skim through local dryers. The fluid cream market is somewhat mixed. Some contacts report a "snug" market and others feel that supplies are a little long. Spot prices are generally lower as both the CME average butter price and multiples are lower this week. Demand for Class II cream is slowing, but still holding up a little better than expected for mid-October. Additional loads have been sold to cream cheese makers this week. As mentioned earlier, trucking is an ever-growing issue with cream sales and deliveries. Churning activity is light to moderate.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.0982-2.2621
DELIVERED EQUIVALENT ATLANTA	-	2.1474-2.2949 M 2.1801-2.2470
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.0490-2.1883

PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

F.O.B. PRODUCING PLANTS:

NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	-	1.0000-1.0800
NORTHEAST- CLASS III - SPOT PRICES	-	1.0500-1.1200

M I D W E S T

Class I demand seems fairly steady, which is a little surprising for the week after the usual strong first of the month, at least for some bottlers. A few have commented that with the higher gas and projected heating costs, perhaps more people are eating out less to save money, which might improve fluid milk sales. Most Class II interest is steady to improved, bolstered by feature activity on sour cream and/or cottage cheese. However, ice cream interest is generally lower seasonally. Some handlers were again having bigger problems in finding a truck/trucker available to move fluid products, even within the region. Resin/plastic supply concerns are far from "off the radar" for most bottlers. Upper Midwest shipments into the Southeast continue at around steady levels with recent weeks. For at least one handler, manufacturing milk interest depended on when in the week, with interest improving around midweek after the block cheese price started to rebound at the Chicago Mercantile Exchange. For others, spot demand was steady. Reported spot prices range from a net of about \$1.75

–2.40 over class, fob plant. Condensed skim movement is still active for Class II and slow at best for Class III and IV. Cream supplies are increasing with churning more active seasonally. Milk intakes are irregularly steady to lower seasonally. Milk components continue to rebound. Very good progress continues on fall harvest and tillage operations. Wet conditions in parts of Minnesota continue to hamper progress while other states further east continue dry.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	OCT 6 - 13	PREVIOUS YEAR
SLAUGHTER COWS	\$ 48.00- 53.50	\$ 48.00- 53.00
REPLACEMENT HEIFER CALVES	\$400.00-750.00	\$410.00-650.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	OCT 6 - 12	PREVIOUS YEAR
SLAUGHTER COWS	\$ 43.50- 56.00	\$ 49.00- 61.00

W E S T

October 1 hay production numbers were released this week. They indicate that U.S. hay production totals 75.9 million tons, up 0.7% from last year. Production levels in the West were a very mixed bag. Arizona produced 2.0 million tons, +3.0%; California 6.9 million tons, -5.6%; Colorado 2.7 million tons, +4.8%; Idaho 4.6 million tons, -2.5%; Nevada 1.2 million tons, +4.05; New Mexico 1.3 million tons, +10.5%; Oregon 2.0 million tons, -4.1%; Utah 2.3 million tons, +8.6%; and Washington 2.5 million tons, +3.8%. Overall, these nine states produced 11,000 tons more than last year. The November 2005 Class 1 prices in CALIFORNIA range from \$15.62 in the north to \$15.89 in the south. The statewide average Class 1 price based on production is \$15.67. The average is 6 cents higher than October 2005 and 4 cents less than November 2004. CALIFORNIA milk output is generally steady on a week to week basis with some increase noted. Levels are coming in above last year in all regions. Weather conditions have been nearly ideal for milk cows. Processing plants are running on expected schedules and not taxed at the present time. Despite declines in the cheese market in the past two weeks, there are no indications that milk placement is being affected. Bottlers are seeing steady and orderly demand for fluid milk products. Milk production is mainly steady in ARIZONA, although above normal temperatures are affecting output lower. Fat and protein levels are holding. Bottlers are drawing heavier volumes of milk to fill stronger retail demand. Less milk is being offered from nearby states so throughput at plants is lower. NEW MEXICO milk output is steady to higher and is above last year's levels. Committed loads to fill fluid needs in other areas remain hard to complete with trucking and tanker availability less than needed. Higher trucking rates and fuel surcharges continue to impact milk shipments. CREAM prices are declining with both basing points and multiples lower. CME Grade AA butter prices declined 0.5 cent and closed at \$1.6250 on October 12. Cream multiples are in the 112 to 126 range and vary depending on class usage and basing point. Butter churners are ending up with more cream as tankers leaving the region are limited and expensive. Milk output in the PACIFIC NORTHWEST ranges from steady to slightly lower. Weather conditions are normal for mid-October. It is taking a long time to finish last cutting hay and the corn silage harvest because of the long drying time it is taking after showers to resume field work. Some silage degradation is expected in bunkers as there has been some extended time periods between the start of filling and the completion. The boundary in the bunker between these time periods will likely be very poor quality. The monthly heifer sale in the region was held last week with offerings somewhat above expectations. Prices for supreme heifers were about \$2100-2300, down slightly from last month. More scattered frost is noted in UTAH and IDAHO. These cooler temperatures are not hurting the milk flow. Most operations report sufficient milk supplies, especially with cheese prices moving sharply lower last week. Some plants are searching for additional milk supplies. Fat and protein tests are on the increase seasonally. Plants are thankful for this as they try to manage energy cost problems. Heifer prices at two sales in the region are firm. Top prices range from \$2410-2500 with the average from \$2185-2250. These prices are \$2-300 higher than back in July.

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY BUTTERMILK - CENTRAL

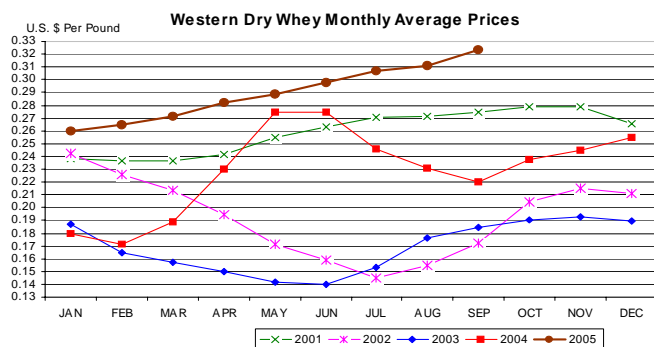
NONFAT DRY MILK - WEST**CALIFORNIA MANUFACTURING PLANTS - NDM**

U.S. \$ Per Pound

Month	2001	2002	2003	2004	2005
JAN	0.98	1.02	0.74	0.86	0.90
FEB	0.98	0.96	0.73	0.88	0.92
MAR	0.98	0.90	0.73	0.90	0.94
APR	1.00	0.88	0.71	0.94	0.94
MAY	1.04	0.85	0.69	1.01	0.90
JUN	1.06	0.80	0.68	1.03	0.90
JUL	1.06	0.75	0.72	1.03	0.90
AUG	1.03	0.73	0.81	1.03	0.91
SEP	1.04	0.74	0.84	1.04	0.92
OCT	1.04	0.75	0.85	1.04	1.04
NOV	1.04	0.76	0.85	1.03	1.04
DEC	1.03	0.77	0.85	0.92	1.04

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR
U.S. CITIES \$19.50 - 30.00
Excluding promotional and other sales allowances. Included new price announcements.



CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume 1/

Month	09/28	09/29	09/30	10/03	10/04	10/05	10/06	10/07	10/10	10/11
CME - (CLASS III) MILK FUTURES -- Dollars per cwt										
SEP 05	14.27 (3256) 1	14.26 (3254) 3	14.30 (3123) 0							
OCT 05	14.35 (2587) 8	14.32 (2607) 55	14.36 (2620) 55	14.36 (2608) 55	14.22 (2599) 118	14.33 (2613) 108	14.30 (2586) 43	14.33 (2583) 36	14.33 (2577) 7	14.33 (2577) 1
NOV 05	13.58 (1962) 27	13.52 (1997) 72	13.55 (1983) 23	13.57 (2022) 84	13.45 (2066) 172	13.47 (2071) 72	13.44 (2087) 73	13.48 (2127) 158	13.61 (2101) 288	13.70 (2128) 115
DEC 05	13.32 (1778) 10	13.26 (1781) 36	13.30 (1777) 19	13.40 (1807) 67	13.26 (1808) 90	13.40 (1810) 61	13.30 (1891) 113	13.32 (1915) 239	13.40 (1947) 70	13.50 (1953) 59
JAN 06	12.83 (1233) 7	12.78 (1251) 33	12.80 (1260) 12	12.82 (1265) 5	12.83 (1294) 50	12.83 (1304) 56	12.83 (1322) 46	12.84 (1343) 36	12.86 (1358) 44	12.90 (1385) 43
FEB 06	12.55 (1127) 7	12.50 (1143) 36	12.52 (1145) 21	12.56 (1146) 4	12.56 (1183) 68	12.55 (1212) 48	12.55 (1245) 51	12.51 (1273) 48	12.51 (1289) 22	12.52 (1289) 16
MAR 06	12.62 (1115) 8	12.58 (1136) 28	12.58 (1131) 18	12.58 (1129) 4	12.60 (1157) 57	12.58 (1181) 45	12.56 (1202) 38	12.53 (1230) 40	12.58 (1246) 22	12.59 (1247) 7
APR 06	12.54 (1062) 15	12.51 (1081) 2	12.51 (1085) 8	12.51 (1085) 2	12.50 (1117) 63	12.50 (1150) 41	12.46 (1174) 46	12.44 (1217) 51	12.47 (1236) 32	12.49 (1239) 8
MAY 06	12.60 (943) 5	12.55 (955) 15	12.55 (964) 15	12.55 (964) 1	12.53 (989) 50	12.50 (1024) 45	12.50 (1055) 56	12.48 (1095) 47	12.50 (1108) 26	12.51 (1108) 2
JUN 06	12.80 (919) 6	12.74 (932) 17	12.69 (935) 16	12.68 (940) 5	12.65 (974) 45	12.65 (1002) 49	12.62 (1027) 44	12.60 (1045) 40	12.60 (1056) 23	12.60 (1059) 3
JUL 06	13.16 (714) 8	13.16 (744) 33	13.16 (750) 6	13.16 (752) 3	13.20 (769) 29	13.17 (783) 28	13.18 (811) 48	13.15 (836) 31	13.15 (841) 17	13.15 (843) 7
AUG 06	13.30 (645) 21	13.28 (670) 31	13.28 (679) 11	13.35 (684) 6	13.35 (696) 23	13.35 (714) 25	13.33 (738) 45	13.31 (759) 39	13.35 (776) 31	13.36 (783) 20
SEP 06	13.75 (745) 25	13.75 (772) 32	13.77 (776) 28	13.80 (799) 29	13.80 (820) 29	13.70 (844) 22	13.65 (867) 45	13.56 (881) 32	13.60 (889) 17	13.63 (891) 2
OCT 06	13.19 (626) 19	13.18 (653) 38	13.18 (657) 7	13.20 (660) 4	13.25 (692) 53	13.21 (715) 33	13.20 (729) 35	13.12 (739) 32	13.11 (748) 16	13.13 (752) 4
NOV 06	12.92 (603) 16	12.90 (624) 24	12.90 (629) 9	12.90 (637) 15	12.90 (646) 40	12.89 (661) 34	12.89 (672) 30	12.84 (731) 70	12.84 (741) 22	12.84 (742) 4
DEC 06	12.83 (628) 7	12.82 (653) 28	12.82 (658) 8	12.86 (675) 23	12.82 (688) 27	12.80 (709) 28	12.80 (724) 37	12.77 (802) 88	12.77 (806) 17	12.77 (808) 1
JAN 07	12.47 (66) 0	12.47 (66) 0	12.47 (66) 0	12.49 (67) 1	12.49 (67) 0	12.47 (67) 0	12.65 (69) 2	12.65 (69) 1	12.65 (69) 0	12.65 (69) 0
FEB 07	12.30 (55) 0	12.30 (55) 0	12.30 (55) 0	12.30 (55) 0	12.30 (55) 0	12.29 (55) 0	12.29 (57) 2	12.29 (57) 0	12.29 (57) 0	12.30 (60) 3
MAR 07	12.35 (44) 0	12.35 (44) 0	12.35 (44) 0	12.35 (44) 0	12.35 (44) 0	12.35 (44) 0	12.35 (46) 2	12.35 (46) 0	12.35 (50) 4	12.35 (50) 0
APR 07	12.50 (10) 0	12.50 (10) 0	12.50 (10) 0	12.50 (10) 0	12.50 (10) 0	12.50 (10) 0	12.50 (10) 0	12.50 (10) 0	12.50 (11) 1	12.50 (11) 0
MAY 07	12.70 (3) 0	12.70 (3) 0	12.70 (3) 0	12.70 (3) 0	12.70 (3) 0	12.70 (3) 0	12.70 (3) 0	12.70 (3) 0	12.70 (3) 0	12.70 (3) 0
CME - (CLASS IV) MILK FUTURES - Dollars per cwt.										
SEP 05	13.60 (21) 0	13.68 (21) 0	13.75 (21) 0							
OCT 05	13.00 (4) 0	13.00 (4) 0	13.00 (4) 0	13.00 (4) 0	13.00 (4) 0	13.00 (4) 0	13.00 (4) 0	13.00 (4) 0	13.00 (4) 0	13.00 (4) 0
NOV 05	12.90 (5) 0	12.90 (5) 0	12.90 (5) 0	12.90 (5) 0	12.90 (5) 0	12.90 (5) 0	12.90 (5) 0	12.90 (5) 0	12.90 (5) 0	12.90 (5) 0
DEC 05	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0
CME - BUTTER FUTURES -- Cents per pound										
SEP 05	171.00 (1) 0									
OCT 05	162.75 (313) 6	164.50 (307) 11	164.00 (292) 18	163.00 (272) 24	161.50 (260) 21	161.50 (251) 16	161.25 (248) 11	162.00 (244) 9	163.00 (231) 26	162.50 (215) 20
DEC 05	158.50 (160) 5	160.00 (164) 5	160.00 (162) 8	160.00 (160) 7	158.78 (162) 3	158.50 (163) 8	158.50 (165) 7	158.50 (166) 4	158.25 (164) 4	158.25 (164) 0
MAR 06	153.00 (72) 1	153.00 (72) 0	154.00 (74) 2	154.00 (74) 0	154.00 (74) 0	153.75 (74) 0	153.75 (74) 0	153.25 (75) 1	153.25 (78) 3	153.00 (78) 0
MAY 06	153.00 (60) 2	153.00 (60) 0	153.00 (61) 1	153.00 (61) 0	153.00 (61) 0	152.75 (61) 0	152.75 (61) 0	152.50 (62) 1	153.00 (65) 3	153.00 (65) 0
JUL 06	154.00 (57) 3	154.00 (57) 0	154.00 (59) 2	154.00 (59) 0	154.00 (59) 0	153.50 (62) 0	153.50 (62) 0	153.25 (63) 1	153.25 (66) 3	153.25 (67) 1
CME - CASH BUTTER FUTURES -- Cents per pound										
OCT 05	164.00 (12) 0	165.25 (22) 0	164.25 (30) 0	164.25 (32) 0	163.00 (44) 0	161.50 (46) 0	163.00 (50) 0	163.00 (57) 0	164.25 (53) 0	164.25 (56) 0
NOV 05	161.50 (38) 0	162.50 (39) 0	162.00 (45) 0	161.50 (54) 0	161.50 (64) 0	159.00 (80) 0	159.00 (87) 0	160.00 (87) 0	160.50 (93) 0	160.50 (93) 0
DEC 05	159.50 (8) 0	159.50 (8) 0	159.00 (10) 0	159.00 (12) 0	158.50 (20) 0	158.00 (25) 0	158.00 (25) 0	158.00 (25) 0	158.00 (22) 0	157.50 (18) 0
JAN 06	156.75 (4) 0	156.75 (4) 0	155.00 (3) 0	155.00 (3) 0	155.00 (3) 0	154.75 (3) 0	154.00 (5) 0	154.00 (2) 0	154.00 (9) 0	153.00 (14) 0
FEB 06	155.00 (6) 0	155.00 (6) 0	155.00 (6) 0	155.00 (7) 0	155.00 (7) 0	155.00 (7) 0	152.25 (7) 0	154.00 (4) 0	153.75 (5) 0	151.00 (5) 0

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered October 3 - 14, 2005

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

WESTERN OVERVIEW: The European milk production season continues to wind down. Milk volumes in Germany, France, and Denmark are reported to be running about 1 – 2% below last year. Much of this decline is being attributed to a very strong fall season in 2004, thus this year, growth is not as positive and producers are more closely monitoring their marketings to avoid super levy penalties down the road. Producers and handlers feel that the seasonal low levels of production are still a ways off with this period usually occurring in late November to mid-December. Manufacturing schedules are also on the decline thus, when possible, milk is being directed toward products of most needs. At this point, milk continues to clear to cheese output. Stocks of manufactured dairy products vary from balanced to readily available. Prices are holding steady, although traders and handlers feel that a weak tone is developing, especially once 2006 arrives. International sales activity remains light. Traders were surprised at the limited volume of skim milk powder that was awarded under the recent Algerian tender. The 10,000 MT volume is half of what they usually purchase. On Thursday, October 13, the Dairy Management Committee met. At the meeting, minimal changes were made under the tendering system and no common refund changes were announced.

BUTTER/BUTTEROIL: European butter markets are generally steady at unchanged prices. Stocks of butter are available for immediate and future needs. As with most manufactured dairy products at this time, demand is basically centered around an internal or domestic market. Some butter is clearing to Russia, but traders and handlers do not know how long this interest will continue. Churning schedules are declining, thus future needs will be filled from inventoried stocks.

82% BUTTERFAT:	1,900 - 2,125
99% BUTTERFAT:	2,400 - 2,700

SKIM MILK POWDER (SMP): Skim milk powder markets are generally steady at unchanged prices. Stocks of powder are available, but are not excessive. Traders and handlers were surprised at the volume of skim milk powder that Algeria awarded in their recent tender. Traders state that this is about half of what they have purchased in the past. Handlers and traders feel that future market conditions are unsettled and anticipate prices to adjust lower as the new year approaches. Most powder sales continue to center around a domestic market.

1.25% BUTTERFAT:	2,250 - 2,350
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WHOLE MILK POWDER (WMP): Whole milk powder markets are steady at unchanged prices. Stocks are available, but lighter than desirable for this time of the season. But, traders and handlers do state with the lack of international sales activity, current stocks levels will be sufficient to fill most internal or domestic needs during upcoming months. Traders feel that if international sales do not pick up shortly, prices will probably weaken after the first of the year as new production resumes.

26% BUTTERFAT:	2,200 - 2,350
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SWEET WHEY POWDER: Whey powder markets and prices remain firm. Although cheese production is active for this time of the season, whey stocks are limited. Proteins in general are limited for both a domestic and/or international market. Traders and handlers feel that the shortage will continue for the balance of the calendar year, but anticipate volumes to increase as 2006 begins.

NONHYGROSCOPIC:	650 - 840
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EASTERN OVERVIEW: Milk production in Eastern Europe continues to decline although overall milk volumes are heavier than last year at this time. Producers and handlers still feel that milk production in this region is not increasing, but rather milk marketings versus home consumption are increasing. Under the recent Algerian tender, many traders were quite surprised at the lighter than anticipated volumes of skim milk powder that were awarded. This lighter volume and limited international sales, along with potential future Dairy Management Committee decisions, could put pressure on market conditions, especially after the first of the year.

OCEANIA

OVERVIEW: The milk production season in Oceania continues to expand. In New Zealand, milk producers and handlers indicate that milk output is gaining momentum on a steady basis. Milk production is positive on the North Island and milk handlers state that very good growth is also occurring on the South Island. Although it seems that the season just began, milk handlers and producers feel that peak production is just 2 – 3 weeks away. In Australia, milk output continues to increase. Milk production figures for the first two months (July and August) indicate that cumulative production is 0.8% ahead of last season. August's production is 1.1% ahead of last August. Victoria, the major milk producing region of the country, realized a 2.4% increase over August of last year. On a cumulative basis, Victoria is running 1.6% ahead of last year for the first two months of the year. Australian milk handlers and producers feel that peak production is still 4 – 6 weeks away. Manufacturing facilities are running near capacity levels in both Oceania regions. Milk volumes are clearing to all manufactured dairy products with casein production also on the increase. Typically, casein output is the last to resume production and the first to cease production. At this time, casein producers are projecting production to be in line with last season. Overall, prices for most manufactured dairy products are holding steady with some slight declines noted at the top end of recent quotes. Stocks are fully sufficient to maintain steady shipments to regular and ongoing customers. As has been the case for much of the current season, surplus stocks are limited and in most instances, not sufficient to fulfill spot or new buyer inquiries.

BUTTER: Oceania butter markets are generally steady, although prices are slightly lower. Churning activity is seasonally strong as milk production continues to increase and cream volumes are readily available. Stocks of butter are sufficient to maintain regular shipping schedules to ongoing customers. Some producers and handlers state that they are building inventory for future use, but remain hesitant to consider additional or spot buyer interest at this time.

82% BUTTERFAT:	1,925 - 2,300
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CHEDDAR CHEESE: Oceania cheese markets are steady with prices unchanged to slightly higher. Cheese production is seasonally active as milk volumes increase. Cheese producers and handlers indicate that cheese output is in line with previous years. Stocks are sufficient to maintain timely shipments to regular and ongoing customers. Traders continue to negotiate sales for the last half of the production season. As it appears now, most buyers are looking at needs that are in line with last year.

39% MAXIMUM MOISTURE:	2,800 - 3,000
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SKIM MILK POWDER (SMP): Skim milk powder markets in Oceania remain steady with prices unchanged to slightly lower on the top of the reported price range. Powder production is seasonally active as milk volumes increase in both New Zealand and Australia. Some Oceania producers and handlers are looking at adjusting their powder production schedules and will look to outside sources for some of their powder needs. Most producers and handlers state that they are fully committed to regular and ongoing customer needs with minimal volumes available for additional buyer interest.

1.25% BUTTERFAT:	2,200 - 2,300
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WHOLE MILK POWDER (WMP): Whole milk powder markets are generally steady with prices mixed. Traders and handlers state that shipments to regular and ongoing customers are on schedule. Production schedules are seasonally strong as milk volumes continue to increase. Producers and handlers state that plant capacities are being tested as peak milk production in New Zealand is 2 – 3 weeks away, while 4 – 6 weeks off in Australia.

26% BUTTERFAT:	2,200 - 2,400
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Exchange rates for selected foreign currencies: October 10, 2005

.8502 Canadian Dollar	.0223 Indian Rupee
.3406 Argentina Peso	.6977 New Zealand Dollar
.0927 Mexican Peso	.7589 Australian Dollar
.3110 Polish Zloty	.0088 Japanese Yen
	1.2068 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0927)= 10.7874
That is 1 US Dollar equals 10.7874 Mexican Pesos.

Source: "Wall Street Journal"

OCTOBER MILK SUPPLY AND DEMAND ESTIMATES*

Milk production in 2005 and 2006 is forecast higher than last month. Output per cow is raised for 2005 and 2006, and the milk cow herd is forecast to grow slightly more rapidly in 2006. As a result, the milk production forecast is increased 400 million pounds for 2005 and 1 billion pounds in 2006. Fat-basis commercial demand remains relatively strong and is expected to absorb increased supplies of milk, providing support for increased forecasts of both butter and cheese prices in 2005 and forecast cheese prices in 2006. Commercial use of skim solids is also increased, reflecting firm domestic demand and continued strength in exports. The nonfat dry milk (NDM) price forecast is raised for both 2005 and 2006. The whey price forecast is also raised on strength in exports and strong NDM prices. Higher product price forecasts raise Class price forecasts for both 2005 and 2006. The all milk price for 2005 is forecast higher at \$15.20-\$15.30 per cwt. and the 2006 forecast is raised to \$13.35-\$14.25 per cwt.

U.S. MILK SUPPLY AND USE					
Commodity	2004	2005 Projected		2006 Projected	
		September	October	September	October
MILK		BILLION POUNDS			
PRODUCTION	170.8	176.3	176.7	180.3	181.3
FARM USE	1.1	1.1	1.1	1.1	1.1
FAT BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	8.3	7.2	7.2	7.6	7.4
MARKETINGS	169.7	175.2	175.6	179.3	180.2
IMPORTS	5.3	4.9	4.7	4.9	4.9
TOTAL COMMERCIAL SUPPLY	183.3	187.3	187.5	191.8	192.6
FAT BASIS USE					
ENDING COMMERCIAL STOCKS	7.2	7.6	7.4	7.7	7.5
CCC NET REMOVALS <u>1/</u>	-0.1	0.0	0.0	0.0	0.0
COMMERCIAL USE <u>2/</u>	176.2	179.7	180.1	184.0	185.1
SKIM-SOLIDS BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	8.5	8.2	8.2	8.0	8.0
MARKETINGS	169.7	175.2	175.6	179.3	180.2
IMPORTS	4.8	4.7	4.7	4.8	4.8
TOTAL COMMERCIAL SUPPLY	183.0	188.2	188.6	192.0	193.0
SKIM-SOLIDS BASIS USE					
ENDING COMMERCIAL STOCKS	8.2	8.0	8.0	8.0	8.0
CCC NET REMOVALS <u>1/</u>	1.3	-1.0	-1.0	0.8	1.0
COMMERCIAL USE <u>2/</u>	173.5	181.1	181.5	183.1	184.1
CCC PRODUCT NET REMOVALS <u>1/</u>		MILLION POUNDS			
BUTTER	-7	0	0	0	0
CHEESE	6	0	0	0	0
NONFAT DRY MILK	105	-85	-85	70	85
DRY WHOLE MILK	0	0	0	0	0

NOTE: Totals may not add due to rounding. 1/ Includes products exported under the Dairy Export Incentive Program. 2/ Includes commercial exports.

Continued on page 10

OCTOBER MILK SUPPLY AND DEMAND ESTIMATES-cont'd

U.S. DAIRY PRICES					
Commodity	2004	2005 Projected		2006 Projected	
		September	October	September	October
PRODUCT PRICES <u>1/</u> CHEESE BUTTER NONFAT DRY MILK DRY WHEY MILK PRICES <u>2/</u> CLASS III CLASS IV ALL MILK <u>3/</u>	DOLLARS PER POUND				
	1.6431	1.475-1.495	1.490-1.500	1.285-1.385	1.305-1.395
	1.8239	1.545-1.585	1.565-1.585	1.320-1.450	1.325-1.445
	0.8405	0.920-0.940	0.930-0.940	0.865-0.935	0.870-0.940
	0.2319	0.260-0.280	0.265-0.285	0.220-0.250	0.235-0.265
	DOLLARS PER CWT				
	15.39	13.90-14.10	14.05-14.15	11.75-12.75	12.05-12.95
	13.20	12.75-13.05	12.85-13.05	11.30-12.40	11.40-12.40
	16.05	15.05-15.25	15.20-15.30	13.10-14.10	13.35-14.25
	QUARTERLY				
2005 III	2005 IV <u>4/</u>	2006 I <u>4/</u>	2006 II <u>4/</u>	2006 III <u>4/</u>	
MILK PRODUCTION	BILLION POUNDS				
	43.9	43.9	45.1	46.8	44.6
	DOLLARS PER CWT.				
	14.90	15.45-15.85	14.20-14.90	12.80-13.80	12.70-13.70
	14.08	13.65-14.05	12.65-13.35	11.75-12.75	11.75-12.75
ALL MILK PRICE <u>2/</u> <u>3/</u>	13.45	13.10-13.60	12.00-12.80	11.15-12.25	11.15-12.25
CLASS III PRICE <u>2/</u>					
CLASS IV PRICE <u>2/</u>					

1/ Simple average of monthly prices calculated by AMS from NASS weekly average dairy product prices for class price computations. Details may be found at http://www.ams.usda.gov/dyfmom/mib/fedordprc_dscrp.htm. 2/ Annual and quarterly Class III and Class IV prices are the simple average of monthly minimum Federal order milk prices paid by regulated plants for milk used in the respective classes. All milk price is the simple average of monthly prices received by farmers for milk at average test. 3/ Does not reflect any deductions from producers as authorized by legislation. 4/ Projection.

* The World Agricultural Supply and Demand Estimates were approved by the Interagency Commodity Estimates Committee. The members for Dairy are: Shayle Shagam, Chairperson, WAOB; John Mengel, AMS; Paul Kiendl, FAS; James Miller, ERS; and Milton Madison, FSA.

SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-427, World Agricultural Outlook Board, USDA, October 12, 2005.

MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS AND CALIFORNIA, JULY 2005

In July 2005, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$14.62 per cwt., \$.49 more than the figure for the previous month. The component tests of producer milk in July 2005 were: butterfat, 3.52%; protein, 2.91%; and other solids, 5.72%. On an individual reporting area basis, mailbox prices increased in all Federal milk order reporting areas, and ranged from \$17.62 in Florida to \$12.95 in New Mexico. In July 2004, the Federal milk order all-area average mailbox price was \$16.32, \$1.70 higher.

Reporting Area	Mailbox Milk Price <u>2/</u>		
	July 2004	June 2005	July 2005
	Dollars per hundredweight		
Northeast Federal Milk Order	17.01	14.50	14.96
Appalachian States <u>3/</u>	18.14	13.92	15.00
Southeast States <u>4/</u>	19.04	14.49	15.65
Southern Missouri <u>5/</u>	17.51	13.18	14.24
Florida	20.47	16.40	17.62
Ohio	16.36	14.22	14.60
Indiana	16.94	14.29	14.61
Michigan	16.09	13.78	14.34
Wisconsin	16.11	14.67	15.06
Minnesota	15.71	14.47	14.69
Iowa	15.76	14.32	14.64
Illinois	16.00	14.25	14.73
Corn Belt States <u>6/</u>	15.02	13.27	13.62
Western Texas <u>7/</u>	15.63	13.26	13.77
New Mexico	14.46	12.55	12.95
Northwest States <u>8/</u>	14.93	13.35	13.78
All Federal Order Areas <u>9/</u>	16.32	14.13	14.62
California <u>10/</u>	13.91	13.43	13.53

1/ Information is shown for those areas for which prices are reported for at least 75% of the milk marketed under Federal milk orders. The price shown is the weighted average of the prices reported for all orders that received milk from the area. As applicable, includes milk not-pooled due to disadvantageous intra-order price relationships. 2/ Net pay price received by dairy farmers for milk. Includes all payments received for milk sold and all costs associated with marketing the milk. Price is a weighted average for the reporting area and is reported at the average butterfat test. Mailbox price does not include any Milk Income Loss Contract (MILC) payments. Mailbox price does include, for the most part, the \$0.05 per cwt. assessment under the Cooperatives Working Together (CWT) program. 3/ Includes Kentucky, North Carolina, South Carolina, Tennessee, and Virginia. 4/ Includes Alabama, Arkansas, Georgia, Louisiana, and Mississippi. 5/ The counties of Vernon, Cedar, Polk, Dallas, Laclede, Texas, Dent, Crawford, Washington, St. Francois, and Perry and all those to the south of these. 6/ Includes Kansas, Nebraska and the Missouri counties to the north of those listed in 5/. 7/ All counties to the west of Fanin, Hunt, Van Zandt, Henderson, Anderson, Houston, Cherokee, Nacogdoches, and Shelby. 8/ Includes Oregon and Washington. 9/ Weighted average of the information for all selected reporting areas in Federal milk orders. 10/ Calculated by California Department of Food and Agriculture, and published in "California Dairy Information Bulletin."

AUGUST FLUID MILK SALES

During August, about 4.6 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 2.7 percent higher than August 2004. After adjusting for calendar composition, sales in August 2005 were 0.6 percent higher than August 2004. On an individual product basis, after adjusting for calendar composition, sales of reduced fat (2%) milk, low fat (1%) milk, and fat-free (skim) milk increased from August 2004, while sales of whole milk, flavored whole milk, flavored fat-reduced milk, and buttermilk decreased from a year earlier.

Editor's Note: Additional data can be found at <http://www.ams.usda.gov/dvfmoms/mib/in-areasales.htm>

ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS,
AUGUST 2005, WITH COMPARISONS ^{1/}

Product Name	Sales		Change from: ^{2/}	
	August	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Whole Milk	1,455	11,364	-0.8	-3.9
Flavored Whole Milk	65	494	-4.8	-14.3
Reduced Fat Milk (2%)	1,534	11,676	4.3	0.6
Low Fat Milk (1%)	535	4,199	5.1	2.6
Fat-Free Milk (Skim)	686	5,310	5.8	2.8
Flavored Fat-Reduced Milk	252	2,294	1.2	4.5
Buttermilk	45	343	0.0	-3.4
Total Fluid Milk Products ^{3/}	4,590	35,792	2.7	-0.4
Total Fluid Milk Products Adjusted ^{3/ 4/}	4,547	35,844	0.6	0.2

^{1/} These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, which accounts for approximately 92 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 8 percent of sales from the Federal milk order and California data. ^{2/} Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis; see ^{4/}. There were significant revisions to previous year data and April 2005 data for California. ^{3/} Total fluid milk products include the products listed plus miscellaneous products and eggnog. ^{4/} Sales volumes and percent changes have been adjusted for calendar composition; see http://www.ams.usda.gov/dvfmoms/mib/clndr_comp_rpt.pdf

PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS
AND CALIFORNIA, AUGUST 2005, WITH COMPARISONS ^{1/}

Area (Order Number)	Sales		Change from: ^{2/}	
	August	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Northeast (001)	768	6,222	1.8	-1.1
Appalachian (005)	299	2,282	0.5	-1.0
Southeast (007)	425	3,184	4.1	1.6
Florida (006)	257	1,987	3.3	2.3
Midwest (033)	529	4,097	3.2	-0.8
Upper Midwest (030)	362	2,889	4.1	1.7
Central (032)	398	3,023	3.7	-0.8
Southwest (126)	374	2,793	5.4	0.8
Arizona-Las Vegas (131) ^{3/}	108	829	6.8	2.1
Pacific Northwest (124)	174	1,400	-0.2	-1.0
California (---) ^{4/}	529	4,223	0.9	-0.1

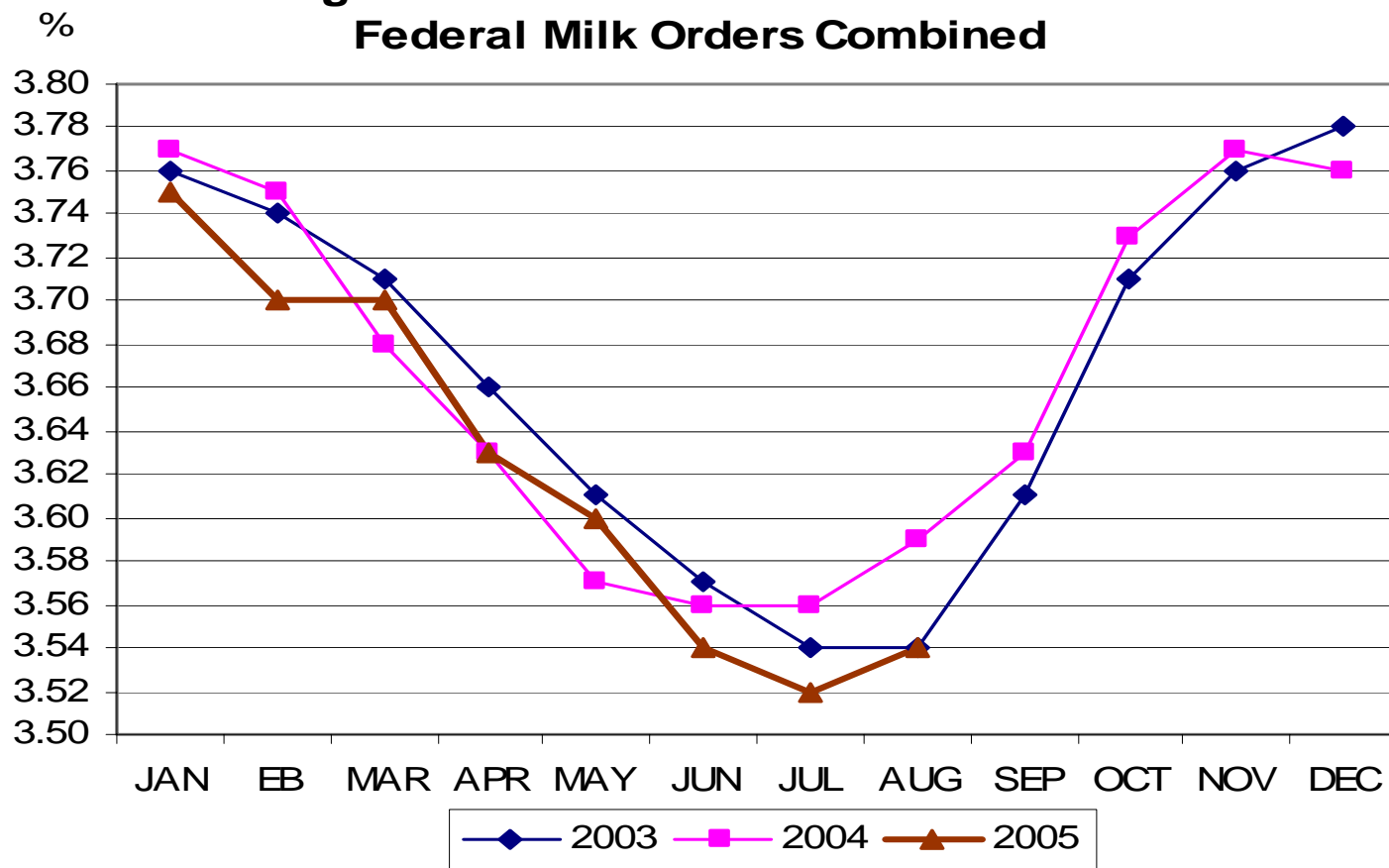
^{1/} These figures are representative of the consumption of total fluid milk products in the respective area; see ^{3/} above for the products included. ^{2/} Percent changes, as well as sales volumes, are shown on an unadjusted basis; see ^{4/} above.

^{3/} The in-area sales data for this order does not include all the sales in the marketing area due to the reporting exemption of fluid milk processors located in Clark County, Nevada.

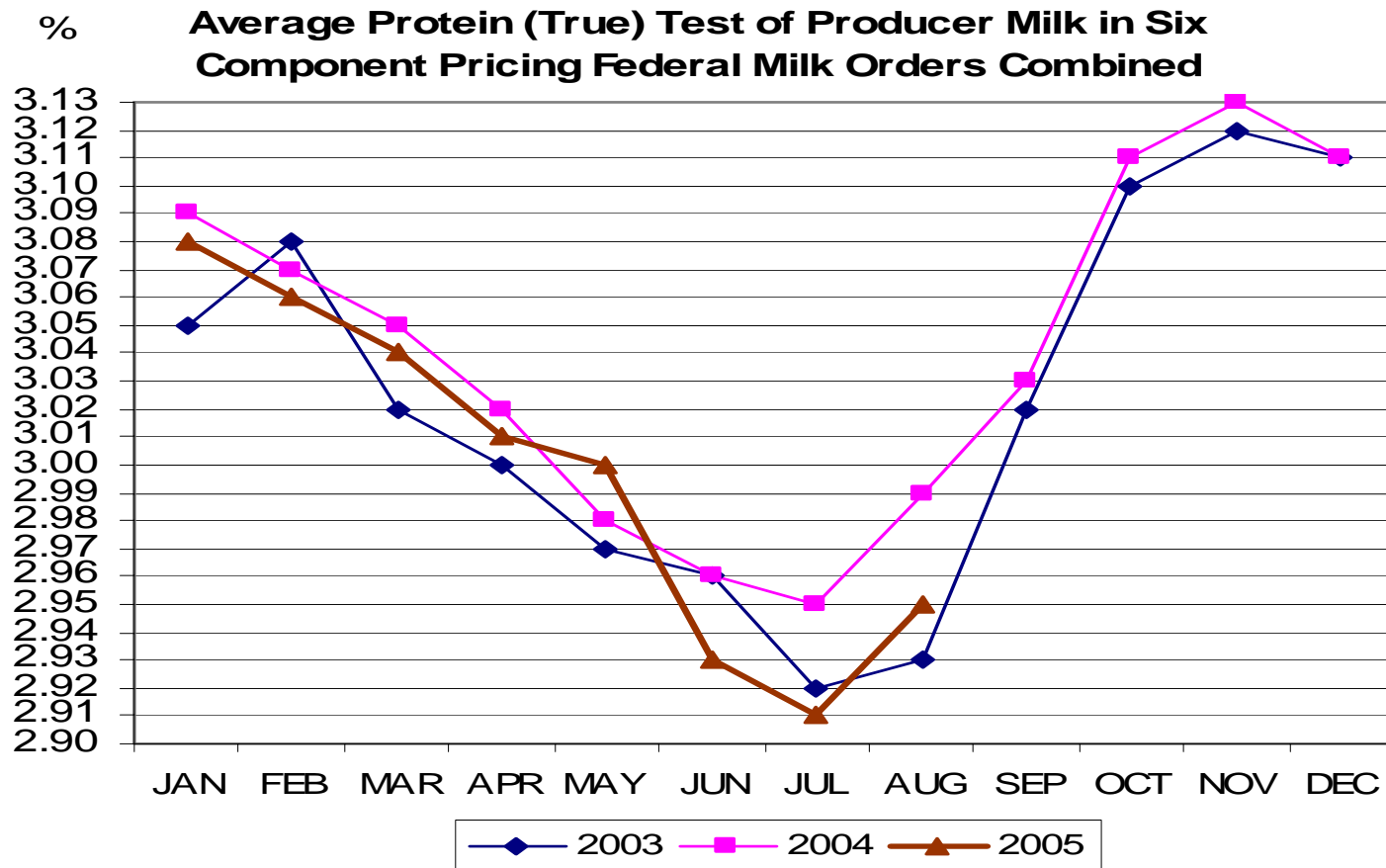
^{4/} There were significant revisions to previous year data and April 2005 data for California.

SOURCE: Monthly reports filed by milk processors subject to the provisions of the applicable Federal milk order, AMS, USDA, and *California Dairy Information Bulletin*, California Agricultural Statistics Service and Milk Stabilization Branch.

Average Butterfat Test of Producer Milk in All Federal Milk Orders Combined



Average Protein (True) Test of Producer Milk in Six Component Pricing Federal Milk Orders Combined



CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF OCTOBER 10 - 14, 2005			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/05	SAME PERIOD LAST YEAR	WEEK ENDING 10/07/05	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfortified	-0-	-0-	-0-	-0-	12,039,903	-0-	-0-
Fortified	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	12,039,903	-0-	-0-

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF OCTOBER 10 - 14, 2005 =	0.0	0.0	COMPARABLE PERIOD IN 2004 =	1.0	55.3
CUMULATIVE SINCE OCTOBER 1, 2005 =	0.0	0.0	CUMULATIVE SAME PERIOD LAST YEAR =	2.6	140.1
CUMULATIVE JAN. 1 - OCT. 14, 2005 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2004 =	55.8	3,002.9

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES SINCE 10/1/05 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05
CENTRAL	-0-	-0-	-0-	-0-	-0-	999,996	0.0	8.3
WEST	-0-	-0-	-0-	-0-	-0-	10,700,805	0.0	88.9
EAST	-0-	-0-	-0-	-0-	-0-	339,102	0.0	2.8
TOTAL	-0-	-0-	-0-	-0-	-0-	12,039,903	0.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 09/24/05 & Comparable Week 2004

Regions* (000 HEAD)	1	2	3	4	5	6	7	8	9	10	U.S. TOTAL		% DAIRY OF ALL	
											WEEK	SINCE JAN 1	WEEK	SINCE JAN 1
2005-Dairy	N.A.	0.7	6.6	2.4	14.7	2.8	0.6	N.A.	13.9	1.6	44.4	1,642.6	47.3	47.4
2004-Dairy	N.A.	0.7	6.6	2.8	15.6	2.5	0.7	N.A.	12.9	2.8	45.6	1,741.7	46.2	46.8
2005-All cows	N.A.	0.7	8.2	11.3	25.8	16.0	10.7	N.A.	16.3	2.0	93.9	3,466.7		
2004-All cows	N.A.	0.7	8.2	13.5	27.4	14.9	11.4	N.A.	14.9	5.0	98.7	3,722.9		

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA. 1/ States included in regions are as follows: Region 1--ME, NH, VT, CT, MA, and RI; Region 2--NY and NJ; Region 3--DE, PA, WV, VA, and MD; Region 4--KY, TN, NC, SC, GA, AL, MS, and FL; Region 5--MI, OH, IN, IL, WI, and MN; Region 6--TX, OK, NM, AR, and LA; Region 7--IA, NB, KS, and MO; Region 8--MT, WY, CO, UT, ND, and SD; Region 9--CA, NV, AZ, and HA; Region 10--ID, OR, and WA. 2/ Totals may not add due to rounding.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87
2004	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04	14.72	14.16	14.89	16.14

FEDERAL MILK ORDER CLASS PRICES FOR 2005 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	16.65	13.79	15.43	14.13	14.80	13.62	13.89	14.44	13.70	14.27		
II	13.04	13.36	13.25	13.24	12.78	13.06	13.79	13.95	14.35			
III	14.14	14.70	14.08	14.61	13.77	13.92	14.35	13.60	14.30			
IV	12.52	12.74	12.66	12.61	12.20	12.33	13.17	13.44	13.75			

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfm05/mib/cls_prod_cmp_pr.htm